

Subpart C—Determination of Auction Awards; Settlement

§ 356.20 How does the Treasury determine auction awards?

(a) *Determining the range and amount of accepted competitive bids*—(1) *Accepting bids*. First we accept in full all noncompetitive bids that were submitted by the noncompetitive bidding deadline. After the closing time for receipt of competitive bids we start accepting those at the lowest yields, discount rates, or discount margins, through successively higher yields, discount rates, or discount margins, up to the amount required to meet the offering amount. When necessary, we prorate bids at the highest accepted yield, discount rate, or discount margin as described below. If the amount of noncompetitive bids would absorb all or most of the offering amount, we will accept competitive bids in an amount sufficient to provide a fair determination of the yield, discount rate, or discount margin for the securities we are auctioning.

(2) *Accepting bids at the high yield, discount rate, or discount margin*. Generally, the total amount of bids at the highest accepted yield, discount rate, or discount margin exceeds the offering amount remaining after we accept the noncompetitive bids and the competitive bids at the lower yields, discount rates, or discount margins. In order to keep the total amount of awards as close as possible to the announced offering amount, we award a percentage of the bids at the highest accepted yield, discount rate, or discount margin. We derive the percentage by dividing the remaining par amount needed to fill the offering amount by the par amount of the bids at the high yield, discount rate, or discount margin and rounding up to the next hundredth of a whole percentage point, for example, 17.13%.

(b) *Determining the interest rate for new note and bond issues*. We set the interest rate at a $\frac{1}{8}$ of one percent increment. If a Treasury note or bond auction results in a yield lower than 0.125 percent, the interest rate will be set at $\frac{1}{8}$ of one percent, and successful bidders' award prices will be calculated

accordingly (see appendix B to this part for formulas).

(1) *Single-price auctions*. The interest rate we establish produces the price closest to, but not above, par when evaluated at the yield of awards to successful competitive bidders.

(2) *Multiple-price auctions*. The interest rate we establish produces the price closest to, but not above, par when evaluated at the weighted-average yield of awards to successful competitive bidders.

(c) *Determining the interest rate for floating rate notes*. The interest rate will be the spread plus the index rate (as it may be adjusted on the calendar day following each auction of 13-week bills) subject to a minimum daily interest accrual rate of zero percent.

(d) *Determining purchase prices for awarded securities*. We round price calculations to six decimal places on the basis of price per hundred, for example, 99.954321 (See appendix B to this part).

(1) *Single-price auctions*. We award securities to both noncompetitive and competitive bidders at the price equivalent to the highest accepted yield, discount rate, or discount margin at which bids were accepted. For inflation-protected securities, the price for awarded securities is the price equivalent to the highest accepted real yield.

(2) *Multiple-price auctions*—(i) *Competitive bids*. We award securities to competitive bidders at the price equivalent to each yield, discount rate, or discount margin at which their bids were accepted.

(ii) *Noncompetitive bids*. We award securities to noncompetitive bidders at the price equivalent to the weighted average yield, discount rate, or discount margin of accepted competitive bids.

[69 FR 45202, July 28, 2004, as amended at 69 FR 53621, Sept. 2, 2004; 76 FR 11080, Mar. 1, 2011; 78 FR 46429, July 31, 2013]

§ 356.21 How are awards at the high yield, discount rate, or discount margin calculated?

(a) *Awards to submitters*. We generally prorate bids at the highest accepted yield, discount rate, or discount margin under § 356.20(a)(2) of this part. For example, if 80.15% is the announced

percentage at the highest yield, discount rate, or discount margin, we award 80.15% of the amount of each bid at that yield, discount rate, or discount margin. A bid for \$100 million at the highest accepted yield, discount rate, or discount margin would be awarded \$80,150,000 in this example. We always make awards for at least the minimum to bid, and above that amount we make awards in the appropriate multiple to bid. For example, Treasury bills may be issued with a minimum to bid of \$100 and multiples to bid of \$100. Say we accept an \$18,000 bid at the high discount rate, and the percent awarded at the high discount rate is 88.27%. We would award \$15,900 to that bidder, which is an upward adjustment from \$15,888.60 ($\$18,000 \times .8827$) to the nearest multiple of \$100. If we were to award 4.65% of bids at the highest accepted rate, for example, the award for a \$100 bid at that rate would be \$100, rather than \$4.65, in order to meet the minimum to bid for a bill issue.

(b) *Awards to customers.* The same prorating rules apply to customers as apply to submitters. Depository institutions and dealers, whether submitters or intermediaries, are responsible for prorating awards for their customers at the same percentage that we announce. For example, if 80.15% is the announced percentage at the highest yield, discount rate, or discount margin, then each customer bid at that yield, discount rate, or discount margin must be awarded 80.15%.

[69 FR 45202, July 28, 2004, as amended at 74 FR 26086, June 1, 2009; 78 FR 46430, July 31, 2013]

§ 356.22 Does the Treasury have any limitations on auction awards?

(a) *Awards to noncompetitive bidders.* The maximum award to any noncompetitive bidder is \$5 million. This limit does not apply to bidders bidding solely through TreasuryDirect® or Legacy Treasury Direct® reinvestment requests.

(b) *Awards to competitive bidders.* The maximum award is 35 percent of the offering amount less the bidder's net long position as reportable under § 356.13. For example, in a note auction with a \$10 billion offering amount, and

therefore a maximum award of \$3.5 billion, a bidder with a reported net long position of \$1 billion could receive a maximum auction award of \$2.5 billion. When the bids and net long positions of more than one person or entity must be combined, as is the case with investment advisers and controlled accounts (See § 356.15(c).), we will use this combined amount for the purpose of this 35 percent award limit.

[69 FR 45202, July 28, 2004, as amended at 69 FR 53622, Sept. 2, 2004; 70 FR 57440, Sept. 30, 2005]

§ 356.23 How are the auction results announced?

(a) After the conclusion of the auction, we will announce the auction results through a press release that is available on our Web site at <http://www.treasurydirect.gov>.

(b) The press release will include such information as:

- (1) The amounts of bids we accepted and the amount of securities we awarded;
- (2) The range of accepted yields, discount rates, or discount margins.
- (3) The proration percentage;
- (4) The interest rate for a note or bond;
- (5) A breakdown of the amounts of noncompetitive and competitive bids we accepted from, and awarded to, the public;
- (6) The amounts of bids tendered and accepted from the Federal Reserve Banks for their own accounts;
- (7) The bid-to-cover ratio; and
- (8) Other information that we may decide to include.

[69 FR 45202, July 28, 2004, as amended at 74 FR 26086, June 1, 2009; 78 FR 46430, July 31, 2013]

§ 356.24 Will I be notified directly of my awards and, if I am submitting bids for others, do I have to provide confirmations?

(a) *Notice of awards*—(1) *Notice to submitters.* We will provide notice to all submitters letting them know whether their bids were successful or not.

(2) *Notice to clearing corporations.* If we are to deliver awarded securities under a delivery and payment agreement, we will provide notice of the awards to the